



**Testimony Submitted By Carol Platt Liebau,
President of the Yankee Institute for Public Policy,
to the Finance, Revenue and Bonding Committee on
SB 946.**

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The Yankee Institute for Public Policy is a Connecticut think tank that develops and advances policy solutions to promote smart, limited government; fairness for taxpayers; and an open road to opportunity for all the people of our state.

I am here today to testify on Senate Bill 946, which would implement the revenue portion of the governor's budget. I appear before you with many serious reservations about this bill. In particular, I am concerned that Connecticut's government continues to find new ways to raise revenue, even as state taxpayers – your constituents – struggle under the weight of Connecticut's already high taxes.

Indeed, a recent study released by the Department of Revenue Services shows the extent to which these taxes burden all Connecticut's citizens – poor and rich alike. The study shows that tax increases have a negative impact on job growth, the cost of goods and services, and income growth. That is true whether higher taxes are levied on individuals or on businesses.

The 2011 tax increases were implemented with the promise that they would fix the state's budget instability. Instead the tax increases produced greater instability and stagnating revenues. Our population is shrinking, and as people move from Connecticut to states with lower taxes, our state government collects less tax revenue.

A recent Yankee Institute study analyzed IRS data to determine just how much wealth is leaving the state. Between the years of 1993 and 2011, the state lost a net total of 200,000 people to other states. And those people took \$8.8 billion in income with them.

Some have demanded an increase in income tax rates for the state's wealthiest residents. That may sound like an easy solution in the short term, but it would have a long-term negative impact on the state's bottom line. According to the Department of Revenue study, just 357 top-earning households account for 10 percent of the state's income tax receipts. That works out to \$2.7 million for each of those families. If just one of them leaves, the rest of Connecticut's residents will be responsible for making up that loss.

What's more, this budget continues the unfortunate trend of depriving our state's businesses of the predictability they need in order to prosper. Rather than tinkering with the tax credits offered by the state, we respectfully petition this committee to eliminate many of these credits and instead offer a lower overall rate. This would be a more equitable – and more stable – way to tax businesses.

Notably, the Tax Foundation estimates that this budget bill would increase taxes on businesses by 43 percent. By keeping the tax surcharge, capping business credits, and capping the carrying-forward of net operating losses, this bill would significantly increase the tax burden on our state's businesses.

In addition, the 35 percent increase in the hospital tax will mean a greater burden on those who seek medical treatment in our state, as they will ultimately bear the higher cost.

These tax increases are of the utmost concern for anyone who cares about Connecticut's ability to flourish, to attract businesses – which in turn create jobs – and to offer its citizens a healthy and high quality way of life.

Even as Connecticut increases taxes on residents and businesses, other states are passing tax reforms that lower taxes. Notably, our neighbor New York restructured its corporate tax system last year. New York plans to drop its top corporate tax rate from 7.1 percent to 6.5 percent, while our top rate remains at 9 percent. This is no way for Connecticut to remain competitive.

We understand the pressure you are under to pay for the high cost of government in Connecticut. But this year, we ask you to take a stand for the hardworking taxpayers in our state. Please: Say enough is enough.

We must find a way to live within our means. Every policy this committee implements sends a message to all of Connecticut's people. Let us work together to show our friends, neighbors and fellow citizens – young and old alike – that we want them to stay. Let's make it clear that in Connecticut, they are free to succeed.

Thank you.